

Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 PRS-01 ERDA-07 AID-05 CEA-01

CIAE-00 CIEP-02 COME-00 DODE-00 FEAE-00 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-15 SAM-01 OES-05 SP-02 SS-15 STR-04 TRSE-00 IO-10

AF-06 ARA-10 EA-09 EUR-12 PA-02 /153 W

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R 101005Z OCT 75

FM AMEMBASSY KATHMANDU

TO SECSTATE WASHDC 3105

UNCLAS KATHMANDU 4469

1. THE GENERAL NEPALESE REACTION, BOTH PUBLIC AND OFFICIAL, TO THE LATEST OPEC PRICE INCREASE SEEMS TO BE APPREHENSION ABOUT THE ADDITIONAL BURDEN ON THEIR DRAMATICALLY DECLINING FOREIGN EXCHANGE RESERVES, BUT, RESIGNATION TO THE FACT THAT THERE IS NOTHING THEY CAN DO ABOUT IT. SEVERAL NEWSPAPER EDITORIALS REFERRED TO THE CONCEPT OF AN OPEC FUND FOR RELIEF OF AFFECTED DEVELOPING COUNTRIES, BUT DID NOT REALLY SEEM TO EXPECT THAT ANYTHING WOULD COME OF IT.

2. THIS CONCERN STEMS, HOWEVER, FROM GENERAL PRINCIPLES RATHER THAN ANY CONCRETE ANALYSIS. NEITHER THE MINISTRY OF FINANCE NOR THE NEPAL OIL CORP. HAVE UNDERTAKEN AN ANALYSIS OF THE ACTUAL INCREASE IN DELIVERED COSTS FOR NEPAL. HOWEVER, AN ORDER OF MAGNITUDE FEEL CAN BE DERIVED FROM THE FOLLOWING: THE TOTAL FOREIGN EXCHANGE COST OF POL FOR NEPAL FOR 1975 HAS BEEN ESTIMATED AT AROUND \$15 MILLION. ASSUMING THAT AS MUCH AS HALF THE INCREASE IN CRUDE PRICES APPEARS IN THE NEW DELIVERED COST, AN ADDITIONAL TOTAL COST TO NEPAL OF \$750,000 PER YEAR WOULD BE INDICATED. THIS COMPARES TO PROJECTED TOTAL HARD CURRENCY IMPORTS (INCLUDING POL) IN THE RANGE OF \$35 MILLION FOR 1975. (N.B. PUBLISHED GON STATISTICS ON OVERSEAS TRADE DO NOT RPT NOT UNCLASSIFIED

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INCLUDE PETROLEUM, WHICH IS TRADITIONALLY RECORDED AS COMING

FROM INDIA.); AND TO PROJECTED HARD CURRENCY EXPORTS OF \$11
MILLION PLUS INVISIBLE EARNINGS (EXCLUDING FOREIGN AID) IN
THE RANGE OF \$30-35 MILLION. INCLUSION OF RUPEE TRADE WITH
INDIA WOULD OF COURSE DRASTICALLY REDUCE THE PROPORTIONATE
ROLE OF POL IN NEPAL'S FOREIGN TRADE.
CARGO

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